



مصرف الائتمانات العراقي
Credit Bank of Iraq

2020

التقرير السنوي
Annual Report

**Credit Bank of Iraq
(Private Joint Stock Co.) - Baghdad**

**Auditors' Report
&
Financial Statements
For The Year Ended December 31st 2020**

**This Documents is a translation of the Arabic Auditors' report and Financial
Statements for the year ended December 31st 2020**

Joint Auditors' of Credit Bank of Iraq

**Credit Bank of Iraq
(Private Joint Stock Co.) - Baghdad**

**Auditors' Report
&
Financial Statements
For The Year Ended December 31st 2020**

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Auditors' report

Current financial situation



Fin
Investment

Trading Graph

to focus resources on the greatest opportunities to increase sales and strategy's goal is to increase sales and achieve the advantage over other

Inform
it is a process to
achieve the company's
competitors.

Learn
ensure
Return
success



Issue 764
Monday, Jun 14, 2016
#CityDailyNews

y of the n Union

Are you innovative or are you the
repositioned type? or do you offer a
high-end, high-quality product, or
low-cost, high-value product? It's
impossible to be both. You should
consider on "this" what you should
customers need you to be. You
begin the main foundation of your
brand. All the promotional materi-
als should be connected with your
brand. To communicate with your
brand having a good brand strate-
gy should you to have a large
advantage in your market. Con-
tinue in your brand with your com-
pany. Your brand tells your story
and what they can have or expect
from the products and services you
offer. The branding strategy you
have should be consistent as it
leads to a strong brand equity. The
branding strategy you have should
be consistent a

It includes short term and long term activities of marketing that has to do with the analysis of a company's situation and contribute to its objectives. The objectives will be based on how you gain sales by acquiring and keeping customers. Marketing strategy helps convey effective messages with the right type of marketing approaches that will maximize your marketing activities

150	12,357	20,776	24,766	45,554
634	1,544	133	344	47,756

To The Shareholders of,
Credit Bank of Iraq
Private Joint-Stock Co.
Baghdad - Iraq

Independent Joint Auditors' Report

We have audited the consolidated financial statements of Credit Bank of Iraq (Private Joint Stock Co.) - Baghdad, which comprise of the balance sheet as of December 31st 2020, the income statement, statement of changes in equity, and cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as well as the annual report of the Bank which had been prepared in accordance with the requirements of Companies' Act No. (21) for the year 1997, and its instructions which has been issued accordingly.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as well as generally accepted local standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Joint Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We had conducted our audit in accordance with International Standards on Auditing, as well as local auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor's judgment, includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements as of 31 December 2020.

We believe that the audit evidence we have obtained was sufficient and appropriate to provide basis for our audit opinion

We enclose herewith our explanatory observations:

1. Application of International Accounting Standards by the Bank

Management had prepared the consolidated financial statements in accordance with the International Accounting Standards, subject to prevailing instructions of Central Bank of Iraq in this respect. We would like to indicate that Management had adopted the historical cost principle in evaluating its properties and equipment, and not revaluating those items for “fair value” purposes.

2. Changes in equity

Value of equity decreased by 1% from 2019 for the amount of (3,427,205) thousand dinars.

3. Bank's operational activities during the year

1. Loss incurred by the Bank during the current year amounted to (3,427,205) thousand dinars, whereas the bank reported a loss of (5,121,655) thousand dinars in the previous year.
2. The above loss was a result of the conservative credit policy adopted by the bank, we recommended that the bank should utilize its fund in investment products to maximize the profit in the future.

4. Other Assets

The Other assets (note 10) represents (0.4%) of the current assets. Included in this caption there were stagnant “debit” balances as of December 31st 2020, brought forward from previous years which had amounted to 202,085 thousand dinars. it includes the following:

- A. Embezzled amount of 168,685 thousand dinars from Al Karmah Branch and the Exchange Bureau.
- B. Legal fees of 24,289 thousand dinars against some debtors.
- C. Resigning employees' debts of 9,111 thousand dinars.

It is recommended that Management of the Bank take the necessary follow up steps in that concern, and taking into consideration that the bank made the necessary “provisions” in the accounts accordingly.

5. Investments in shares and equities:

A. the Bank invested in the share capital of “Iraqi Company for Generators Ltd” Balance of such shares had amounted to 100,000 thousand dinars as of December 31st 2020. Management of the Bank, had considered the full amount of the investment as “Provision for declining of share prices”. In this respect, we would like to indicate the following:

- i. No confirmation was received as to the number of shares.
- ii. Management was unable to determine the market value of those shares, due to the fact that they were was not listed on the Iraq Stock Exchange.
- iii. It is recommend that the necessary action to be considered for settling this outstanding issue.

B. The bank invested in the Iraqi deposits insurance company as per the central bank instructions dated 21 November 2017 by deposit an amount of (789,474) thousand dinar at Central bank of Iraq. The company finished it registration and got its legal status on Mar 2020.

6. Other provisions

1. The balance of “Staff end of service Provision” as of December 31st, 2020 amounted to (181,799) thousand dinars which represents provision for the end of services benefits. This provision was estimated without being calculated based on each employee service.
2. The Central Bank of Iraq in 2019 imposed a penalty of (3,690,741) thousand dinars related to foreign currency auction of 2012 (the penalty will be paid over 48 equal monthly settlements). The bank paid (454,241) thousand dinars during 2020 and increased contingency provision (part of miscellaneous provision) by (1,005,096) thousand dinars during the year to cover auction penalty settlements and any future potential liabilities.

7. Assets of the Bank

1. All assets of the Bank are owned and registered in the related official governmental office in the name of the Bank.
2. The bank do not have properties acquired in the settlement of bad debts.

8. Capital Adequacy

The Central Bank of Iraq decision (110) of 2021 stated that all banks in Iraq should adopt BASEL II & III to determine the capital adequacy. Throughout our examination of the accounting records, as well as auditing the operational activities of the Bank during the year under audit, together with the templates which had been prepared for the purpose, the bank reported a Capital Adequacy Ratio (CAR) of 266% as at 31 December 2020.

9. Exchange rate

The exchange rate of the Iraqi Dinar to the US Dollars was amended from IQD 1,182 to IQD 1,460 according to the central bank circular no. (6/1/2440) dated 20/12/2020. The revaluation resulted in a loss of IQD 86 million and reported in the statement of income of the year as per central bank instruction no. (9/2/401) dated 28/12/2020 (Note: 2-1).

10. Consolidated financial statements

The enclosed financial statements are a consolidated set of (Credit Bank of Iraq - A Private Joint-Stock Company) consisting of the accounts of "Credit Brokerage company" which is a wholly owned subsidiary company, by the "Credit Bank of Iraq". In the same manner, previous year's comparative figures had been consolidated accordingly.

11. Risk Department

The risk department does not have any employees – the head of the department resigned at the beginning of 2020 and no replacement was appointed, consequently no risk reports were submitted to us during the year. We advised the bank to hire the needed staff to meet the requirements of the Central Bank.

12. Foreign currency auction window

The total purchase of the foreign currency through the auction system of the central bank of Iraq during 2020 amounted to (630,252 USD) equivalent to (749,999 thousand dinar) for the transfer of dividend due to the foreign shareholders of the Bank with the exchange rate of (1,190) dinar for each dollar. Therefore, the bank did not book any profit from these transactions.

13. Money Laundering and Financing of Terrorist Activities

Throughout our examination of the accounting records of the Bank and its operational activities, nothing came to our attention to indicate that the Bank was involved in “money laundering” activities or any operations which was associated with financing terrorist activities.

Management of the Bank had taken the necessary steps to prevent the carrying of money laundering transactions as well as any other transactions for financing of terrorist activities, in accordance with the instructions issued by Central Bank of Iraq in this respect.

The bank has the following programs for combating Money Laundering and Financing of Terrorist Activities:

1. The Side Safe watch system contains continuously updated international and local lists and is connected to the bank’s core systems through which automatic searches and inquiries are performed on new clients before opening their accounts, as well as reviewing existing accounts on a daily / monthly basis and any incoming / outgoing transfers before their execution.
2. The World Check system contains international lists through which it searches and inquiries about new clients.
3. ORACLE AML System for combating money laundering and terrorist financing, connected to the bank’s core system and monitors the financial transactions that took place on clients’ accounts through developed scenarios that issue alerts (daily and monthly), noting that the scenarios required from the Central Bank of Iraq are available in the system.
4. The Equation system which is the core banking system, contains a field for classifying clients according to the risk rating, and it is connected to the anti-money laundering and terrorist financing system (ORACLE AML System).

14. Compliance reports

Compliance reports sent to the Central bank and to the Board of Directors were reviewed.

Bank management ensured that all Central Bank and other relevant laws were complied with as they relate to the Banks activities during the year and were delivered within the prescribed timelines using the approved forms.

15. Legal case

On 29 January 2020, a decision was issued by the Court of Appeal number / 1065 / S 2/2018 obliging the bank to pay an amount of (1,123,692,749) dinars to one of the bank's client for fixed deposits interest not booked in previous years, The bank filed an objection to the Court of Cassation and the court decided to form new committee consists of 11 experts. The case is still under consideration until the date of this report.

16. Direct credit facilities

The direct credit facilities amounting to (7,476,541) thousand dinars were reviewed as of 31 / December / 2020, the following was noted:

- The outstanding balance represents non-performing credit facilities that were granted in previous years, and the bank booked a 100% provision to cover the balance of these facilities.
- The balance of credit facilities decreased by (609,294) thousand dinars compared to the previous year, due to the repayment of two loans during the year.
- We recommend the bank to follow up and take legal actions to obtain the remaining facilities due.

17. Indirect credit facilities

The indirect credit facilities amounting to (42,523,457) thousand dinars were reviewed as of 31 / December / 2020, and we noted the following:

- The letters of guarantee margins which is held by the Central Bank of Iraq amounted to (221,061) thousand dinars, and comply with the requirements.
- Internal letters of guarantee of (5,238,757) thousand dinars are fully covered by (100%) and (110%) cash margins.
- External letters of guarantee amounting to (36,933,662) thousand dinars are fully guaranteed (Back to Back) by the external correspondent banks.
- Indirect credit facilities balance is comprised of several Letters of credit with the Trade bank of Iraq (TBI) amounting to (351,038) thousand dinars.

18. Others

1. Implementation of Corporate Governance directives:

We have reviewed the results of the pilot test of the scorecard for the Institutional Governance Guide for the bank and in our opinion, the bank is generally compliant with the quantitative and qualitative requirements according to the Parallel Scorecard project model. The Board of Directors and the bank's management are working diligently and consistently to adhere to the implementation of institutional governance instructions related to disclosure and transparency practices.

2. The audit findings of the Central Bank of Iraq: -

We have reviewed the Central Bank's correspondence and comments on the quarterly reporting submitted such as the quarterly financials and the Internal Audit report.

3. Based on the review of the monthly and quarterly reports sent to the Central Bank, nothing came to our attention that might affect the adequacy of the information sent to the Central Bank.

4. The bank adopted the core banking system (Equation) for its operations, transactions and accounting records are electronically archived, supporting documentation is properly safeguarded in appropriate storage,

5. Balances with correspondent banks:

a. Balances with correspondents outside Iraq represent 12% of the capital and reserves as of December 31, 2020 and does not exceed the 20% limit imposed by the Central Bank

b. The bank is in compliance with the central Bank of Iraq's letter no 9/2/158 dated 21/05/2020, booked a provision to cover the balance with the correspondent bank in Lebanon amounting to (56,459) thousand dinars; this provision was transferred from the surplus of LC's & LGs provision (note 13).

6. Foreign currency positions:

The Bank's foreign exchange position is 7% Short; this position is in compliance with Central Bank's directives that limits the FX position to 20% of the Capital and reserves and the position was calculated in accordance with the Central Bank of Iraq's instructions.

7. Financial Solvency and Liquidity:

- A. The coverage ratio (cash and bank balances to customer deposits) was 236%, and it is considered a good and safe ratio.
- B. Liquidity Coverage Ratio (LCR) was 487%, the minimum required by the Central Bank is 100%.
- C. Net Stable Funding Ratio (NSFR) was 1,414%, the minimum required by the Central Bank is 100%.

Based on the above ratios, nothing came to our attention that causes concern on the Bank's ability to meet its obligations towards the depositors in the subsequent period.

8. International Financial Reporting Standard (IFRS 9):

The Bank is applying IFRS9 in calculating expected credit losses (ECL). The result showed a surplus of (1,166,861) thousand dinars from the previously applied method. The bank decided to keep the previously computed provision of (8,806,218) thousand dinars as of December 31, 2020 (Note 30).

- 9. We audited the Balance of Other Liabilities and its subaccounts (Note 15) amounting to (5,055,886) thousand dinars as of December 31, 2020.

Based on our opinion, and in accordance with our audit of the Bank's accounting books and records, as well as the information and explanations which were provided to us:

- 1. The accounting records and books used by the Bank, are in conformity with book-keeping regulations, and it includes, based on our assessment, all transactions processed on assets, liabilities, expenses and revenues of the Bank. The bank's internal control system include the required procedures to insure the correctness and accuracy of the financial statements commensurate with the volume of activity observed,
- 2. The physical count of Bank's fixed assets and the cash count as of December 31, 2020 were carried out in an appropriate manner and were under our supervision and conformed with the banking records. The assets are evaluated in accordance with the accounting principles used in previous years.
- 3. The Bank's annual report, in as far as it relates to the financial and accounting information, reflect in a comprehensive manner the Bank's activities during the audited year; and does not contain any breach of prevailing laws and regulations.

4. The financial statements are prepared in conformity with prevailing accounting standards and legislation, and in agreement with accounting records; they are prepared in accordance with the requirements of Iraqi Companies' Act and its related instructions as well as the Banking Law.

Opinion

Based on what was stated in our explanatory remarks, in our opinion the consolidated financial statements of Credit Bank of Iraq (Private Joint Stock Co.) and the enclosed Management report, are in agreement with the books, and in conformity with the statutory requirements; and as far as its reflection of the performance indicators, they fairly represent the financial position of the Bank as of December 31st 2020, and the results of its operation and its cash flows for the year then ended.

Saad Rashed Jasim

Certified Public accountants

Adel Al Hassoon & Co.

Certified public accountants

Baghdad – 31 March 2021



**Financial Statements
2020**

CREDIT BANK OF IRAQ
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS 31 DECEMBER 2020

Assets	Notes	31 Dec 2020	31 Dec 2019
		IQD (000)	IQD (000)
Cash and balances with Central Bank	3	480,972,170	404,119,631
Due from banks and other financial institutions	4	32,089,055	48,628,089
Financial assets held to maturity	6	-	58,700,942
Financial assets through other comprehensive income	7	789,474	-
Property and equipment , Net	8	10,687,955	8,659,927
Intangible assets , Net	9	398,267	409,961
Other assets	10	2,108,520	2,018,301
Total assets		527,045,441	522,536,851
Liabilities And Shareholder's Equity			
Liabilities			
Customers' deposits	11	217,501,732	208,358,810
Margin accounts	12	5,376,784	5,700,294
Miscellaneous provisions	13	5,407,950	5,006,613
Income tax liabilities	14	3,644	5,027
Other liabilities	15	5,055,886	6,339,457
Total liabilities		233,345,996	225,410,201
Shareholder's Equity			
Paid in capital	16	250,000,000	250,000,000
Statutory reserve	17	15,720,546	15,720,546
Expansion reserves		1,500,000	1,500,000
Retained earnings		26,478,899	29,906,104
Total shareholder's equity		293,699,445	297,126,650
Total liabilities and shareholder's equity		527,045,441	522,536,851

Chairman of the Board of Directors

Saad Rashed Jasim soon & Co.

Certified Public accountants

Refer to Auditors' report Baghdad
31 March 2021

General Manager

Adel Al Hassoon & Co.

Certified public accountants

CREDIT BANK OF IRAQ
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

		31 Dec 2020	31 Dec 2019
	Notes	IQD (000)	IQD (000)
Interest income	18	1,487,163	2,755,384
Interest expense	19	(97,151)	(146,308)
Net interest income		1,390,012	2,609,076
Net fees and commissions	20	2,381,757	1,620,172
Net interest and commission income		3,771,769	4,229,248
Net gain from foreign currency exchange		630,933	542,506
Capital gain		-	38,135
Credit Provision release		339,866	-
Other operating income		22,212	37,309
Gross profit		4,764,780	4,847,198
Employees' expenses	21	(2,531,883)	(3,351,511)
Other operating expenses	22	(3,339,749)	(4,039,685)
Depreciation and amortization	8	(1,315,257)	(1,318,557)
Miscellaneous provisions	13	(1,005,096)	(1,259,100)
Total expenses		(8,191,985)	(9,968,853)
Profit (Loss) before income tax		(3,427,205)	(5,121,655)
Income tax	14	-	-
Profit (Loss) After income tax		(3,427,205)	(5,121,655)
Distributed as below:		-	-
Statutory reserve		-	-
Net Profit (loss) after tax and Statutory reserve		(3,427,205)	(5,121,655)
Net Profit (Loss) for the year		(3,427,205)	(5,121,655)
Basic and diluted earnings (Losses) per share	23	(0.014)	(0.020)

CREDIT BANK OF IRAQ
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	31 Dec 2020	31 Dec 2019
	IQD (000)	IQD (000)
Profit (Loss) for the year	(3,427,205)	(5,121,655)
Other comprehensive loss will not be classified to profit or loss in subsequent periods:		
Change in fair value of financial assets at fair value through other comprehensive income	-	-
Total comprehensive income (loss) for the year	(3,427,205)	(5,121,655)
Total comprehensive income (loss) for the year	(3,427,205)	(5,121,655)

CREDIT BANK OF IRAQ

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Paid in Capital	Statutory reserve	Expansion Reserve	Retained earnings	Total
<u>2020</u>	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Balance At 1 January 2020	250,000,000	15,720,546	1,500,000	29,906,104	297,126,650
Total comprehensive income for the year	-	-	-	(3,427,205)	(3,427,205)
Balance at 31 December 2020	250,000,000	15,720,546	1,500,000	26,478,899	293,699,445
2019					
Balance At 1 January 2019	250,000,000	15,720,546	1,500,000	46,277,759	313,498,305
Total comprehensive income for the year	-	-	-	(5,121,655)	(5,121,655)
Dividends	-	-	-	(11,250,000)	(11,250,000)
Balance at 31 December 2019	250,000,000	15,720,546	1,500,000	29,906,104	297,126,650

CREDIT BANK OF IRAQ
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

		31 Dec 2020	31 Dec 2019
	Notes	IQD (000)	IQD (000)
Operating activities:			
Profit (Loss) before income tax		(3,427,205)	(5,121,655)
Depreciation and amortization	8,9	1,315,257	1,318,557
Miscellaneous provisions	13	401,337	793,961
Suspense Interest	5	(289,020)	-
Provision for credit losses	5	(320,273)	-
Operating cash flows from Operating activities before changes in assets and liabilities		(2,319,904)	(3,009,137)
(Increase) Decrease in other assets	10	(90,219)	(127,319)
(Increase) Decrease in credit facilities	5	609,293	-
Increase (Decrease) in customers' deposits	11	9,142,922	45,992,525
Increase (Decrease) in margin accounts	12	(323,510)	2,176,310
Increase (Decrease) in other liabilities	15	(1,283,571)	(6,575,743)
Net cash flows from (used in) operating activities before income tax		5,735,011	38,456,636
Income tax paid		(1,383)	(1,172,912)
Net cash flows from (used in) operating activities		5,733,628	37,283,724
Investing activities:			
Sale of financial assets at amortized cost	6	58,700,942	21,747,891
(Acquisition) of Financial assets through other comprehensive income	7	(789,474)	-
(Acquisition) of intangible assets	9	(98,682)	(419,961)
(Acquisition) of property and equipment	8	(3,232,909)	(5,670,845)
Net cash flows (used in) from investing activities		54,579,877	15,657,085
Financing Activities:			
Dividends paid		-	(11,250,000)
Net cash flows from (used in) financing activities		-	(11,250,000)
Net increase (decrease) in cash and cash equivalents		60,313,505	41,690,809
Cash and cash equivalents at 1 January		452,747,720	411,056,911
Cash and cash equivalents at 31 December	24	513,061,225	452,747,720

(1) Corporate Information

Credit Bank of Iraq (The “Bank”) is a private shareholding company registered and incorporated in Iraq, on 25 July 1998 in accordance with registration certificate number 6615, and its registered office is in Baghdad.

The Bank provides its banking services through its main branch located in Baghdad, and through its four branches across Iraq and provides brokerage and exchange services in Iraq.

(2) Significant accounting policies

Basis of Preparation

The accompany consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), subject to prevailing instructions of Central Bank of Iraq in this respect.

The consolidated financial statements are presented in Iraqi Dinars (IQD) which is the functional currency of the Bank, and all values are rounded to the nearest thousand Iraqi Dinars except otherwise indicated.

The central bank of Iraq instructed all banks in Iraq on 20 December 2020 to change the USD exchange rate against IQD from (1,182) to (1,460) and reflect the new exchange rate on the financial statement issued after that date. The impact of the change of the exchange rate was a loss of IQD 86 million and reported in the statement of income of the year.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary (Credit Brokerage Company) as at 31 December 2020. The subsidiary is fully consolidated from the date on which control is transferred to the bank. Control is achieved when the Bank has power over the investee and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

All balances, transactions, income, and expenses between the Bank and the subsidiary are eliminated in full. The consolidated financial statements include assets, liabilities and

operating results of the Bank management and branches and its subsidiary (Credit Brokerage Company).

The subsidiary is a private shareholding company incorporated in accordance with the companies' law in Iraq, its paid-in capital is IQD100 Million of which the Bank owns 100% as at 31 December 2020 (2019: IQD 100 Million).

The financial statements of the Bank's subsidiary are prepared for the same reporting year as the Bank, using consistent accounting policies. The subsidiary is fully consolidated from the date of acquisition, being the date on which the Bank obtained control, and continues to be consolidated until the date that such control ceases. The subsidiary (Credit Brokerage Company) reported a loss of (27,928) thousand dinar for the year 2020 compared to loss of (16,160) thousand dinar in 2019.

CHANGES IN ACCOUNTING POLICIES

The accounting policies applied are consistent with those used in the previous year except for the changes arising from the adoption of

1. IFRS 9 'Financial Instruments'

During July 2014, the IASB issued IFRS 9 "Financial Instruments" with all the three phases. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". The Bank has implemented the first phase of IFRS 9 as issued during 2009. The date of initial implementation of the first phase of IFRS 9 was 1 January 2011. The new version of IFRS 9 will be implemented at the mandatory date on 1 January 2018, which will have an impact on the recognition and measurement of financial assets. The central bank of Iraq has postponed the implementation of the new version of IFRS 9 to 1 January 2019; the central bank of Iraq instructed all banks in Iraq to adopt IFRS 9 for all financial statement issued after 1 January 2019. Accordingly, the bank adopted and implemented IFRS 9 (note 30).

2. IFRS 16 ‘Leases’

The Bank has adopted IFRS 16 issued in January 2016 with a date of initial application of 1 January 2019. IFRS 16 replaces IAS 17, IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

The Bank has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. Lease liabilities and right-of-use of assets were both recorded at the present value of future lease payments; thus, no impact was recorded on the opening retained earnings.

The central bank of Iraq has instructed all banks in Iraq to adopt IFRS 16 for all financial statements issued after 1 January 2019.

IMPACT OF IFRS 16 ADOPTION

The Bank presents right-of-use assets in ‘land, premises and equipment’ and lease liabilities in ‘other liabilities’ in the consolidated statement of financial position. Depreciation charge for right-of-use assets for the year amounted to 308,111 thousand dinar and is included in ‘depreciation of premises and equipment’ in consolidated statement of income. Interest on lease liability for the year amounted to 18,809 thousand dinar and is included in ‘interest expenses’ in consolidated statement of income.

(3) Cash And Balances with Central Bank

	31 Dec 2020	31 Dec 2019
	IQD (000)	IQD (000)
Cash on hand	48,645,336	21,388,262
Gold	300	300
Balances with Central Bank:		
Current accounts	400,885,910	353,835,566
Statutory reserve	31,219,563	27,882,703
Investment in Deposits insurance*	-	789,474
LGs reserve	221,061	223,326
Total	480,972,170	404,119,631

* The bank invested in the Iraqi deposits insurance company as per the central bank instructed dated 21 November 2017 by deposit an amount of (789,474) thousand dinar at Central bank. Then, the company finished its registration and got its legal status on Mar 2020.

- Balances with the Central bank of Iraq are not exposed to Expected Credit Losses (Note:30).

(4) Due from banks and other financial institutions

	31 Dec 2020	31 Dec 2019
	IQD (000)	IQD (000)
Current accounts with local banks	1,654,254	1,406,508
Current accounts with Foreign banks	26,185,568	1,184,610
Fixed deposits with Foreign banks	4,380,000	46,098,000
Expected credit losses	(130,767)	(61,029)
Total	32,089,055	48,628,089

	31 Dec 2020				31 Dec 2019
	Stage 1	Stage 2	Stage 3	Total	Total
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Balance at 1 January	-	61,029	-	61,029	61,029
Transfer between stages	61,029	(61,029)	-	-	-
Transfer from LC's & LG's Provision*	56,459	-	-	56,459	-
Exchange rate change	13,279	-	-	13,279	-
Total	130,767	-	-	130,767	61,029

* The bank transferred the amount of (56,459) thousand dinar from the excess of LC's & LGs provision to fully cover the balance with the correspondent bank in Lebanon to comply with Central Bank instruction dated 21 May 2020 which stated that the bank should transfer their balances with correspondent's bank in Lebanon and balances with correspondents have credit rating below (B) or build a full provision against these balances.

(5) Direct credit facilities, net

	31 Dec 2020	31 Dec 2019
	IQD (000)	IQD (000)
Loans	2,294,609	2,294,609
Overdrafts	5,181,932	5,791,226
Total	7,476,541	8,085,835
Less: Interest in suspense	(4,248,578)	(4,537,599)
Less: ECL provision	(3,227,963)	(3,548,236)
Total	-	-

* Non-performing credit facilities amounted to IQD 7,476,541 thousand as at 31 December 2020 (2019: IQD 8,085,835 thousand), representing 100% (2019: 100%) of gross direct credit facilities.

** Two loans with total amount of (680,661) thousand dinar were settled that leads to credit provision recovery of (339,866) thousand dinar and interest income of (278,556) thousand dinar.

The table below shows the credit facilities movement:

	31 Dec 2020				31 Dec 2019
	Stage 1	Stage 2	Stage 3	Total	Total
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Balance at 1 January	-	-	8,085,835	8,085,835	8,085,835
Loans settlement	-	-	(680,661)	(680,661)	-
Exchange rate change	-	-	71,367	71,367	-
Total	-	-	7,476,541	7,476,541	8,085,835

The table below shows the credit provision movement:

	31 Dec 2020				31 Dec 2019
	Stage 1	Stage 2	Stage 3	Total	Total
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Balance at 1 January	-	-	3,548,236	3,548,236	3,548,236
Release provision	-	-	(339,866)	(339,866)	-
Exchange rate change	-	-	19,593	19,593	-
Total	-	-	3,227,963	3,227,963	3,548,236

The table below shows the interest in suspense movement:

	31 Dec 2020				31 Dec 2019
	Stage 1	Stage 2	Stage 3	Total	Total
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Balance at 1 January	-	-	4,537,599	4,537,599	4,537,599
Paid interest	-	-	(278,556)	(278,556)	-
Write off	-	-	(62,239)	(62,239)	-
Exchange rate change	-	-	51,774	51,774	-
Total	-	-	4,248,578	4,248,578	4,537,599

(6) Financial assets held to maturity

	31 Dec 2020	31 Dec 2019
	IQD (000)	IQD (000)
Treasury Bills	-	59,170,000
Accrued Interest	-	(469,058)
Total	-	58,700,942

Treasury bills of the Central bank of Iraq are not exposed to Expected credit loss (Note:30)

(7) Financial assets at fair value through other comprehensive income

	31 Dec 2020	31 Dec 2019
	IQD (000)	IQD (000)
Unquoted shares	889,474	100,000
Less: Expected credit losses Provision*	(100,000)	(100,000)
Total	789,474	-

The unquoted shares are recorded at cost since management is unable to reliably obtain the fair value of these investments.

* The Bank, had considered the full amount of the investment in Iraqi Generators Company as “Provision for declining of share prices”.

** The bank invested in the Iraqi deposits insurance company as per the central bank instructed dated 21 November 2017 by deposit an amount of (789,474) thousand dinar at Central bank. Then, the company finished its registration and got its legal status on Mar 2020.

(8) Property and Equipment

	Land	Buildings	Right of Use As-sets	Computers, Furniture & Fixtures	Vehicles	Machinery & equipment	Total
2020	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Cost							
At 1 January	2,006,061	579,356	1,668,078	4,592,424	229,202	1,932,873	11,007,994
Additions	-	2,707,609	-	157,171	-	17,815	2,882,595
Exchange	-	-	344,484	-	-	-	344,484
Transfer*	-	-	-	4,420	-	(4,420)	-
Disposals	-	-	(203,402)	-	-	-	(203,402)
At 31 December	2,006,061	3,286,965	1,809,160	4,754,015	229,202	1,946,268	14,031,671
Accumulated Depreciation							
At 1 January	-	384,534	482,178	2,125,435	156,634	1,716,729	4,865,510
Depreciation	-	56,389	308,111	732,652	32,777	74,953	1,204,882
Exchange	-	-	130,997	-	-	-	130,997
Transfer*	-	-	-	(12,688)	-	12,688	-
Disposals	-	-	(203,402)	-	-	-	(203,402)
At 31 December	-	440,923	717,884	2,845,399	189,411	1,804,370	5,997,987
Net book value	2,006,061	2,846,042	1,091,276	1,908,616	39,791	141,898	8,033,684
Projects in progress		2,642,337		11,934			2,654,271
Net book value	2,006,061	5,488,379	1,091,276	1,920,550	39,791	141,898	10,687,955

	Land	Buildings	Right of Use Assets	Computers, Furniture & Fixtures	Vehicles	Machinery & equipment	Total
2019	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Cost							
At 1 January	2,006,061	579,356	-	3,695,258	229,202	380,290	6,890,167
Additions	-	-	1,668,078	2,621,058	-	134,455	4,423,591
Transfer*	-	-	-	(1,714,954)	-	1,597,802	(117,152)
Disposals	-	-	-	(8,938)	-	(179,674)	(188,612)
At 31 December	2,006,061	579,356	1,668,078	4,592,424	229,202	1,932,873	11,007,994
Accumulated Depreciation							
At 1 January	-	372,926	-	3,002,102	120,004	367,024	3,862,056
Depreciation	-	11,608	482,178	706,590	36,630	22,136	1,259,142
Transfer*	-	-	-	(1,574,981)	-	1,507,243	(67,738)
Disposals	-	-	-	(8,276)	-	(179,674)	(187,950)
At 31 December	-	384,534	482,178	2,125,435	156,634	1,716,729	4,865,510
Net book value	2,006,061	194,822	1,185,900	2,466,989	72,568	216,144	6,142,484
Projects in progress	-	2,517,443	-	-	-	-	2,517,443
Net book value	2,006,061	2,712,265	1,185,900	2,466,989	72,568	216,144	8,659,927

(9) intangible assets

	31 Dec 2020	31 Dec 2019
	IQD (000)	IQD (000)
Balances at 1 January	409,961	-
Additions during the year	66,289	419,961
Cost transfer from property & Equipment	-	117,152
Amortization during the year	(110,375)	(59,415)
Amortization transfer from property & Equipment	-	(67,737)
Projects in progress	32,392	-
Total	398,267	409,961

Intangible assets include computer's software and systems. Intangible assets are amortized on a straight-line basis over 5 years.

(10) Other assets

	31 Dec 2020	31 Dec 2019
	IQD (000)	IQD (000)
Prepaid expenses	1,339,957	1,251,866
Debtors accounts	397,997	448,320
Clearing checks accounts	290,523	-
Accrued interests and revenues	5,889	251,298
Legal fees	24,289	24,289
Advances for operational activities & Staff	9,111	9,111
Margins with others	14,000	10,000
National switch dues	17,433	13,938
Others	9,321	9,479
Total	2,108,520	2,018,301

(11) Customers' deposits

	Retails	Corporate	Total
31 Dec 2020	IQD (000)	IQD (000)	IQD (000)
Current and demand deposits	21,739,223	172,485,607	194,224,830
Saving accounts	23,156,584	75,318	23,231,902
Time deposits	45,000	-	45,000
Total	44,940,807	172,560,925	217,501,732

	Retails	Corporate	Total
31 Dec 2019	IQD (000)	IQD (000)	IQD (000)
Current and demand deposits	35,067,059	148,056,845	183,123,904
Saving accounts	23,658,166	89,865	23,748,031
Time deposits	180,000	1,306,875	1,486,875
Total	58,905,225	149,453,585	208,358,810

(12) Margin Accounts

	31 Dec 2020	31 Dec 2019
	IQD (000)	IQD (000)
Margins against LG's	5,341,784	4,991,054
Margins against LC's	-	709,240
Margins against credit facilities settlement	35,000	-
Total	5,376,784	5,700,294

(13) Miscellaneous provisions

	31 Dec 2020	31 Dec 2019
	IQD (000)	IQD (000)
Contingency Provision	4,127,241	3,667,945
LC's & LG's Provision	1,098,910	1,155,369
Staff end of service Provision	181,799	183,299
Total	5,407,950	5,006,613

The movements on Miscellaneous provisions as follows:

	At 1 January	Charge	Release	At 31 December
31 Dec 2020	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Contingency Provision*	3,667,945	1,005,096	(545,800)	4,127,241
LC's & LG's Provision**	1,155,369	-	(56,459)	1,098,910
Staff end of service Provision	183,299	-	(1,500)	181,799
Total	5,006,613	1,005,096	(603,759)	5,407,950

* Central Bank of Iraq imposed a penalty of (3,690,741) thousand dinar as per their circular (9/2/21991 dated 23 September 2019) related to foreign currency auction of 2012 (the penalty will be paid over 48 equal monthly settlements). The bank paid (445,800) thousand dinar during 2020 for the penalty and paid (100,000) thousand dinar to central bank as donation to curb corona virus, increased contingency provision by (1,005,096) thousand dinar during the year to cover auction penalty settlements, legal cases and any future potential liabilities.

** The bank transferred the amount of (56,459) thousand dinar from the excess of LC's & LGs provision to fully cover the balance with the correspondent bank in Lebanon to comply with Central Bank instruction dated 21 May 2020 which stated that the bank should transfer their balances with correspondent's bank in Lebanon and balances with correspondents have credit rating below (B) or build a full provision against these balances.

(14) Income Tax Liabilities

The movements on income tax liability as follows:

	2020	2019
	IQD (000)	IQD (000)
At 1 January	5,027	1,177,939
Tax settlements	-	(1,168,227)
Tax settlements for Credit brokerage	(1,383)	(4,685)
Charge for the year	-	-
At 31 December	3,644	5,027

(15) Other Liabilities

	31 Dec 2020	31 Dec 2019
	IQD (000)	IQD (000)
Dividends Payable	475,375	1,389,153
Lease Liability	713,882	838,850
Certified Checks	399,550	699,680
Unclaimed accounts	1,752,637	1,312,977
Companies registration due	13,000	122,500
Accounts payables	304,938	629,004
Claimed checks and certificate	391,424	497,946
Accrued revenue	187,981	187,981
Deceased Accounts	146,483	142,704
Other creditors	42,658	32,505
Checks under settlement	129,210	-
Closed accounts	144,502	121,642
Amounts due to other	115,167	115,167
Restricted Accounts	113,546	88,653
Accrued interest	38,708	64,872
Margins for stock trading	16,547	38,797
Stamp duty due	33,744	21,882
Social security due	29,933	28,363
Other	6,601	6,781
Total	5,055,886	6,339,457

(16) Paid In Capital

Paid in capital comprises of 250 billion shares (2019: 250 billion shares) at a par value of 1 Iraqi Dinar per share (2019: 1 Iraqi Dinar per share).

(17) Reserves

Statutory Reserve

According to the Iraqi Companies' Law, 5% as a minimum of the annual profit after tax should be transferred to the statutory reserve. This reserve should not exceed 50% of the Bank's Capital and is not available for distribution to shareholders. The Bank may resolve to discontinue such annual transfers when the reserve equals the paid in capital. The statutory reserve balance was (15,720,546) thousand dinar as of 31 December 2020.

(18) Interest Income

	31 Dec 2020	31 Dec 2019
	IQD (000)	IQD (000)
Loans	278,556	-
Financial assets held to maturity	747,718	1,445,057
Balances at Central Bank	36,986	302,740
Due from banks and other financial institution	423,903	1,007,587
Total	1,487,163	2,755,384

(19) Interest Expense

	31 Dec 2020	31 Dec 2019
	IQD (000)	IQD (000)
Saving accounts	73,327	86,240
Time deposits	5,015	33,311
Interest on Lease liability	18,809	26,757
Total	97,151	146,308

(20) Net Fees and Commissions

	31 Dec 2020	31 Dec 2019
	IQD (000)	IQD (000)
Indirect credit facilities	452,943	360,321
Bank transfers	1,376,013	1,083,115
Brokerage Commission	524	16,324
Commission expense	(640,096)	(500,902)
Other commissions	1,192,373	661,314
Total	2,381,757	1,620,172

The total purchase of the foreign currency through the auction system of the central bank of Iraq during 2020 was (630,252 USD) equivalent to (749,999 thousand dinar) for the transfer of dividend due to the foreign shareholders of the Bank with the exchange price of (1,190) dinar for each dollar. Therefore, the bank did not book any profit from these transactions.

(21) Employees' Expenses

		31 Dec 2020		31 Dec 2019
	Bank	subsidiary	total	total
	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Salaries and benefits	2,272,357	22,773	2,295,130	3,138,527
Contribution to social security	235,180	1,573	236,753	212,984
Total	2,507,537	24,346	2,531,883	3,351,511

(22) Other operating expenses

	31 Dec 2020	31 Dec 2019
	IQD (000)	IQD (000)
Premises Rent	32,747	232,755
Professional services	58,293	115,172
Communications	560,452	609,912
Software licenses	537,462	492,189
Internet	80,928	54,292
Mobile	25,566	42,653
Legal services	127,158	246,909
Subscriptions fees	56,246	49,911
Social responsibilities initiatives	72,000	72,000
Travel & Subsistence	40,640	167,709
Insurance	499,555	510,959
Advertising	1,363	470
Building Maintenance	7,248	10,517
Car Maintenance	1,426	4,728
Office Maintenance	4,835	32,708
Machines Maintenance	3,864	6,989
Data center support services	334,197	136,710
ATM Maintenance	109,606	113,264
Fuel expense	43,880	35,529
Stationery	23,274	30,075
Hospitality	2,502	15,118
Small Equipment Purchase	22,325	30,070
Electricity	72,239	30,679
Water	5,914	11,570
Deposits insurance premium	16,608	-
Transportation	7,805	10,720
Transportation of goods & Cash	82,531	63,886
Bonus to others	34,000	109,853
Audit fees, Year End*	54,700	53,500
Other audit fees	2,550	5,050

Other operating expenses (Continue)	31 Dec 2020	31 Dec 2019
	IQD (000)	IQD (000)
Penalties	36,902	8,903
Write off	31,342	-
Training courses	16,954	27,112
Conferences	17,482	31,985
Income Tax settlement*	-	174,238
Employees' tax paid	184,950	160,561
Employees' tax paid for previous years**	-	222,377
Staff accessories	2,189	7,746
Government fees	108,626	99,978
Sundry Expenditure	14,741	7,275
Other	4,649	3,613
Total	3,339,749	4,039,685

(23) Earnings (Losses) PER Share

Basic earnings (losses) per share is calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year.

	31 Dec 2020	31 Dec 2019
	IQD (000)	IQD (000)
Profit (Loss) for the year	(3,427,205)	(5,121,655)
Weighted average number of shares during the year	250,000,000	250,000,000
	IQD/Fils	IQD/Fils
Basic and diluted earnings (losses) per share	(0.014)	(0.020)

(24) Cash and cash equivalents

Cash and cash equivalents appearing in the consolidated statement of cash flows consist of the following:

	31 Dec 2020	31 Dec 2019
	IQD (000)	IQD (000)
Cash and balances with Central Bank	480,972,170	404,119,631
Due from banks and other financial institutions	32,089,055	48,628,089
Total	513,061,225	452,747,720

(25) Contingent Liabilities and Commitments

The total outstanding commitments and contingent liabilities are as follows:

	31 Dec 2020	31 Dec 2019
	IQD (000)	IQD (000)
Letters of guarantee	42,172,419	62,354,908
Letters of credit	351,038	990,252
Total	42,523,457	63,345,160

(26) Capital adequacy

The bank reported a Capital Adequacy Ratio (CAR) of 266% as at 31 December 2020. The Central bank set a minimum ratio of (12.5%) and the bank reporting the Capital adequacy in line with Central Bank of Iraq instructions and template.

(27) Liquidity Ratios

The bank reported a Liquidity Coverage Ratio (LCR) of 487% as at 31 December 2020 (2019: 457%) and Net Stable Funding Ratio (NSFR) of 1414% as at 31 December 2020 (2018:1221%). The Central bank of Iraq set a minimum threshold of (100%) for both ratios.

The bank reporting LCR ratio and NSFR ratio in line with Central Bank of Iraq instructions and template.

(28) Legal suits

There is a lawsuit filed against the bank by one of his clients, and the decision of the Court of First Instance was in favour of the bank and supported by court of appeal, except that, at the request of the Court of Cassation the file was returned to the experts, and they issued a new report recommending the ruling a portion of the amount claimed by the client which is mentioned in the report of the auditors. The decision was appealed at the Court of Cassation by the two parties. The court of cassation decided to return back the case to the court of appeal to form new experts committee and the case is still under reviewing by the committee.

(29) Related parties

The bank entered in financial transactions with National Bank of Kuwait during the year using commercial interests and commissions

	31 Dec 2020	31 Dec 2019
	IQD (000)	IQD (000)
On Balance sheet items		
Due from banks - Current accounts with Foreign banks	26,185,567	1,184,610
Due from banks - Fixed deposits with Foreign banks	4,380,000	46,098,000
OFF- Balance sheets items		
Letter of guarantee	36,933,662	57,503,769
Income statement items		
Interest Income	423,903	1,007,587
Indirect credit facilities, commissions	328,879	233,633

(30) IFRS 9 IMPLEMENTATION

The result of IFRS 9 implementation show a surplus provision of (1,116,861) thousand dinar as difference between total expected credit losses of (7,689,357) thousand dinar and current provision of (8,806,218) thousand dinar as per below Expected Credit Losses (ECL) according to IFRS 9 as at 31 December 2020.

The bank decided to keep the surplus provision resulted from the implementation of IFRS 9 with the possibility to release it in subsequent periods.

	Balance	Expected Credit Losses	Current Provision	Difference
31 Dec 2020	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Balances with Central Bank	432,326,534	-	-	-
Due from Banks	32,219,822	67,388	130,767	63,379
Investment	889,474	100,000	100,000	-
LCs	351,038	16,452	36,483	20,031
LGs	42,172,419	28,976	1,062,426	1,033,450
Direct Credit Facilities	7,476,541	7,476,541	7,476,541	-
Total	515,435,828	7,689,357	8,806,217	1,116,860

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